



To: Rep. Kate Ebli, Chair, House Tax Policy Committee

From: Brad Williams, Director, Government Relations, Detroit Regional Chamber

Date: October 21, 2009

RE: Testimony Regarding MBT Credits

Thank you for the opportunity to share the perspective of the Detroit Regional Chamber regarding credits in the Michigan Business Tax.

The Detroit Regional Chamber and our over 20,000 members have long been active around the topic of business taxes. Along with the Chair of our Chamber Tax Committee, Greg Nowak, we were very active in the creation of the MBT and believe that – while not perfect -- the basic structure of the MBT is sound. We agree with the principles of the MBT that call for a broadly based tax, with low rates that utilizes credits to reward those businesses that invest in Michigan and employ Michigan workers.

We are concerned about the recent attempt in the Senate to reduce credits created within the MBT as a vehicle by which to raise revenue to continue spending in the state budget. Let me be clear, reducing credits in the MBT to maintain the status quo spending policies is not “reform” it is a tax hike. Shifting business taxes from one group of businesses to another should not be the preferred approach – instead, we urge the legislature to pursue structural, sustainable reforms to state spending that will allow you to reduce burdensome business taxes and allow Michigan business to thrive.

The Chamber’s number one tax policy priority is removal of the 22% MBT surcharge and replacement of the revenue with cost-savings found in the budget through spending reforms. When the legislature replaced the ill-fated service tax with the surcharge in 2007, it also reduced the credits in an effort to reduce the rate of the surcharge. We support reinstatement of those credits to the same rates as they were upon final passage of the MBT. The credits in the MBT play a key role in assuring that businesses that chose to invest in Michigan are given tax treatment that recognizes their investment. The credits have the impact of creating a “MEGA-like” benefit for any business that chooses to employ workers in Michigan, do research and development in Michigan, and locate plants in Michigan. If anything, these credits should be further enhanced to provide further exporting of the MBT to businesses that choose to sell in to Michigan but not invest in Michigan.

We understand that those who depend on the taxes paid by Michigan businesses and individuals have suggested tax “reform” should be used as a tool to insure that those services supported by taxpayers remain. The Detroit Regional Chamber and our colleagues in the business community have been consistently calling for significant, sustainable, structural reforms in state government, that thus far have been ignored by many in the state’s elected leadership. Specifically, the Detroit Regional Chamber has focused on reforms to the Michigan Department of Corrections that are not only sound public safety policy, but also can save the state over a \$500 million per year. There are literally dozens of other ideas that have been proposed by the business community that can save hundreds of millions of dollars without any significant drop-off state services.

While I realize these reforms do not necessarily fall within the jurisdiction of this committee, I know the members of this committee realize that the problem with our tax system is not that we are not collecting enough revenue from each tax payer; it is that we do not have enough tax payers. “Reform” that increases taxes on the few remaining and struggling tax payers to maintain a broken government is not productive. What is productive is reform that looks forward and recognizes that Michigan’s schools cannot be world class without students to fill them, the best way to provide police protection in our cities is for robust business growth, and more people with jobs relieves pressure on the Medicaid system.

Again, thank you for the opportunity to provide our perspective. Please feel free to contact me should you have any questions or concerns.